

BUDGET LETTER

SUBJECT: YEAR-END FINANCIAL REPORTING REQUIREMENTS	NUMBER: 07-09
REFERENCES: STATE ADMINISTRATIVE MANUAL SECTIONS 7900 ET SEQ., 8340, 10608; GOVERNMENT CODE SECTIONS 12461.2 AND 16304	DATE ISSUED: May 1, 2007 SUPERSEDES: BL 06-08

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff
Department of Finance Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) reminds state departments of the year-end financial reporting deadlines for fiscal year 2006-07.

YEAR-END FINANCIAL REPORTING DEADLINES

Departments must submit the appropriate 2006-07 year-end reports to the State Controller's Office (SCO) and State Treasurer's Office according to the following schedule:

July 31, 2007

- **General Fund**
- **Feeder funds** (0081, 0084, 0085, 0086, 0089 through 0091, 0094, and 0097)
- **Economic uncertainty funds** (0374, 0375, and 0377), and Budget Stabilization Account (1011).

August 20, 2007

- **All other funds**

Government Code Section 12461.2 authorizes the SCO to withhold any or all operating funds from a department if that department fails to submit complete and accurate financial reports, as required in the State Administrative Manual (SAM), to the SCO within 20 days from the above due dates. Generally accepted accounting principles information is due to the SCO by September 4, 2007. Therefore, departments should carefully plan to ensure they meet year-end reporting deadlines.

To assist with this process, departments are reminded to develop a year-end workplan. Workplans are an essential tool in planning and monitoring financial reporting activities to ensure the timely completion of the reports. The SAM Section 7950 discusses some of the steps that should be included in the year-end workplan. Requirements for financial reports included in SAM Sections 7900 et seq. should be reviewed early in the year-end process in order to minimize problems.

Departments shall carefully identify the amount of obligations and encumbrances as of June 30, 2007. Obligations are amounts due for goods and services received that have not been scheduled for payment. Encumbrances represent commitments for goods and services that will be received in the following year(s).

The encumbrances of an appropriation must comply with Government Code Section 16304 and the authorizing legislation. Since encumbrances are estimates, each encumbrance must be reviewed for validity and to ensure the amount closely approximates the actual expenditure that will be incurred. If the ultimate expenditure will be funded by a reimbursement, this fact must be reported, as detailed in SAM Section 7952.

The Department of Finance (Finance), California State Accounting and Reporting System (CALSTARS) training unit will be offering year-end training classes for CALSTARS departmental accounting staff involved in financial statement preparation. CALSTARS Operations Memo 07-02 announced this year's training schedule, which is available on the CALSTARS website: <http://www.dof.ca.gov/html/calstars/Training/training.htm>. Other year-end resources include Volume 7 of the CALSTARS Procedures Manual at: <http://www.dof.ca.gov/html/calstars/cpm.htm> and a report checklist at: <http://www.dof.ca.gov/html/calstars/optools.htm>. Assistance is also available from the CALSTARS Hotline at (916) 327-0100, CALNET 467-0100, or e-mail: hotline@dof.ca.gov.

Preparation of Past Year Budget Documents

Past year expenditure and revenue amounts posted on budget documents must reconcile with amounts reflected in year-end financial reports submitted to the SCO. For the General Fund, Finance compares amounts on budget documents to SCO data from year-end reports and asks departments to explain differences. For all other funds, Finance designates an administering organization. This administering organization prepares the Governor's Budget Fund Condition Statement and must reconcile differences between the SCO Annual Report and the Governor's Budget. Departments must provide a written explanation of differences to their Finance budget analyst and to the SCO, Division of Accounting and Reporting.

If you have questions regarding this BL, please contact the Fiscal Systems and Consulting Unit hotline at (916) 324-0385, CALNET 454-0385, or e-mail: fscuhotline@dof.ca.gov.

/s/ Veronica Chung-Ng

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